

INDUSTRY CIRCULAR

OFFICE OF THE COMMISSIONER OF INTERNAL REVENUE
ALCOHOL AND TOBACCO TAX DIVISION



WASHINGTON 25, D. C.

Industry Circular No. 65-26

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REDISTILLATION OF ARTICLES AND SPIRITS RESIDUES

Proprietors of Distilled Spirits Plants,
Users of Specially Denatured Spirits,
and others concerned:

Purpose. This industry circular is issued to inform you of those provisions of Public Law 89-44, 79 Stat. 136, relating to the redistillation of articles containing denatured spirits and of residues obtained from manufacturing processes related to such articles; and of proposals for the amendment of 26 CFR Parts 201 and 211 to implement the change in law.

Background. Section 805(d) of Public Law 89-44 amended section 5223, I.R.C., in part, by adding a new subsection (c) to provide that articles, containing denatured spirits, which were manufactured under the provisions of subchapter D of chapter 51, I.R.C., and the spirits residues of manufacturing processes related thereto, may be received, and redistilled, at a distilled spirits plant having production facilities, under such regulations as the Secretary or his delegate may prescribe. The distilled spirits obtained from redistillation of such articles and spirits residues may, under redesignated section 5223(d), as amended, be withdrawn only for industrial use or after denaturation.

Highlights of proposed regulations. A Treasury decision is being issued to amend 26 CFR Part 201 to implement the changes in law, and to amend 26 CFR Part 211 to authorize the shipment of articles and spirits residues to a distilled spirits plant having production facilities.

Provision will be made in 26 CFR Part 201 for the receipt and redistillation of the articles and spirits residues, and for entries in the applicable records. Before the articles and spirits residues may be received, the distilled spirits plant proprietor must file a letterhead application with his Assistant Regional Commissioner, Alcohol and Tobacco Tax. A copy of the approved application must be furnished to the person from whom the articles and spirits residues will be received, as his authority to make the shipment.

Amendments in 26 CFR Part 211 will provide for the preparation of Form 1473, Shipment and Receipt - Specially Denatured, Tax-Free, or Recovered Spirits, appropriately modified, to cover the shipment of the articles or spirits residues to a distilled spirits plant. They will also prescribe the information to be shown on packages of such materials.

Records and Reports. Distilled spirits plant proprietors receiving articles and spirits residues for redistillation will make appropriate entries relative to such materials and to the spirits obtained by redistillation, in the same manner as other materials and spirits, on Form 2636, Daily Report of Transactions, and Form 2730, Monthly Report of Production Operations.

Persons shipping articles to a distilled spirits plant for redistillation will keep a record thereof as provided in 26 CFR 211.265 - 211.267. (In the case of spirits residues shipped to a distilled spirits plant for redistillation, the shipper's retained copy of each Form 1473 may serve as his record of disposition.)

Effective Date. The changes in the law and regulations will become effective on October 1, 1965.

Inquiries. Inquiries concerning this industry circular should refer to its number and be addressed to your Assistant Regional Commissioner, Alcohol and Tobacco Tax.

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